

Message Text

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15 L

ACTION AID-20

INFO OCT-01 EA-11 ADP-00 SS-14 NSC-10 SSO-00 CCO-00 NSCE-00

AGR-20 EB-11 COME-00 CIAE-00 INR-09 NSAE-00 RSC-01

IGA-02 L-03 OMB-01 TRSE-00 DODE-00 INRE-00 RSR-01

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O R 241030 Z MAR 73

FM AMEMBASSY PHNOM PENH

TO SECSTATE WASHDC IMMEDIATE 0622

INFO AMEMBASSY BANGKOK

C O N F I D E N T I A L PHNOM PENH 2679

E. O. 11652: GDS

TAGS: EGEN, CB

SUBJECT: THAI RICE TO CAMBODIA

FOR STATE/ AID

REF: (A) BANGKOK 4706; (B) BANGKOK 4709

1. BANGKOK 4706 IS BEING REPEATED BY BANGKOK TO WASHINGTON.

2. IN VIEW OF THE GROWING URGENCY OF SECURING THAI RICE FOR

CAMBODIA, WE BELIEVE THAT EXTRAORDINARY MEASURES ARE WARRANTED.

WE WOULD, THEREFORE, URGE THAT AN ADVANCE PAYMENT FOR THAI RICE BE APPROVED. ALTHOUGH A 90- DAY DELAY IN THE AVAILABILITY OF THAI RICE WILL BE CUTTING IT CLOSE IN TERMS OF GKR

REQUIREMENTS, WE BELIEVE THAT ADEQUATE STOCKS OF RICE CAN BE MAINTAINED SO LONG AS THAI RICE BEGINS TO ARRIVE BY EARLY JULY. 40,000 TONS OF THAI RICE WOULD NOT, REPEAT NOT, OF COURSE RELIEVE NEED FOR REMAINING 28,000 TONS OF PL480 RICE WHICH HAVE BEEN DEFERRED AND WHICH WOULD STILL BE CRITICAL TO PREVENT A NEW CRISIS BEFORE THE END OF THIS CALENDAR YEAR.

3. THERE ARE SEVERAL DEVELOPMENTS WITHIN CAMBODIA THAT MAKE
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THE RICE SITUATION MORE CRITICAL THAN HAS BEEN THE CASE IN THE PAST FEW MONTHS AND MAKE IT MORE IMPERATIVE THAT THE THAI PURCHASE BE SETTLED NOW.

A. ROUTE 5 WAS CUT EARLY THIS WEEK AND HAS SINCE BEEN REOPENED. WHILE FANK CAN BE EXPECTED TO MAKE A CONTINUED EFFORT TO KEEP ROUTE 5 OPEN, AT THE SAME TIME IT IS PROBABLE THAT THE KI WILL MAKE IT A MAJOR OBJECTIVE TO KEEP ROUTE 5 CLOSED. PROSPECTS FOR A CONTINUED RICE SUPPLY FROM BATTAMBANG ARE, THEREFORE, UNCERTAIN.

B. WE ANTICIPATE MORE RICE WILL BE NEEDED TO SUPPLY A NUMBER OF ENCLAVES THAT HAVE DEVELOPED OR MAY DEVELOP IN THE NEAR FUTURE. RICE REQUIREMENTS FOR SVAY RIENG PRESENTLY RUN ABOUT 20 TONS PER DAY BUT ARE EXPECTED TO INCREASE TO 44 TONS PER DAY IN THE NEXT TWO MONTHS AS PRIVATE STOCKS IN SVAY RIENG DWINDLE AND MORE REFUGEES ARRIVE. IN ADDITION, THERE ARE A NUMBER OF PROVINCIAL TOWNS INCLUDING TAKEO AND PREY VENG WHICH HERETOFORE HAD RECEIVED MOST OF THEIR RICE LOCALLY BUT THAT MAY HAVE TO START DRAWING RICE SUPPLIES FROM PHNOM PENH AS THE LAND CONTROLLED BY THE GKR SHRINKS OR AS THEY BECOME ISOLATED. AIR DROPS FROM U- TAPAO MAY HAVE TO BE ARRANGED FOR THESE TOWNS IN THE NEAR FUTURE AND IN EACH CASE WOULD REPRESENT A NEW RICE REQUIREMENT.

C. AT THE SAME TIME, RICE CONSUMPTION IN PHNOM PENH HAS INCREASED. FROM FEBRUARY 15 THROUGH MARCH 17, THE DISTRIBUTION RATE IN PHNOM PENH HAS AVERAGED 690 TONS PER DAY, WHICH IS WELL OVER THE 450 TONS THAT HAS BEEN THE PROJECTED DISTRIBUTION RATE. THE PRIMARY REASON FOR THE INCREASE IN DISTRIBUTION APPEARS TO BE FEAR OF INCREASED RICE PRICES AND UNCERTAINTIES ABOUT THE POLITICAL AND ECONOMIC SITUATION. OUR FORTHCOMING RICE UPDATE WILL COVER THE DISTRIBUTION RATE INCREASE IN GREATER DETAIL. HOWEVER, IT IS CLEAR THAT STEPS WILL HAVE TO BE TAKEN TO TIGHTEN UP THE RICE DISTRIBUTION SYSTEM. WHILE AN INCREASE IN THE PRICE OF RICE COULD SERVE TO DAMPEN DEMAND, THE GOVERNMENT HAS REAFFIRMED THE RICE PRICE STRUCTURE ESTABLISHED LAST SEPTEMBER AND POLITICALLY IS IN NO POSITION TO PUBLICLY APPROVE HIGHER PRICES ALTHOUGH RICE OUTSIDE OF THE GKR DISTRIBUTION SYSTEM IS RUNNING 40 RIELS FOR NO. 1 BATTAMBANG RICE, AND 26-28 RIELS FOR AMERICAN RICE. WE ALSO BELIEVE THAT THE GOVERNMENT IS INCAPABLE OF ADMINISTERING A RATIONING SYSTEM. WHAT THE
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GKR CAN DO, HOWEVER, IS TO LIMIT THE AMOUNT OF IMPORTED

RICE RELEASED THROUGH SONEXIM. WE PLAN TO TAKE THIS UP WITH THE GKR IN THE NEXT FEW DAYS. IT IS LIKELY, HOWEVER, THAT THE RICE DISTRIBUTION RATE IN PHNOM PENH, WHEN IT DECLINES, WILL NOT RETURN TO MUCH BELOW 450 TONS, IF THAT LOW.

4. AS WASHINGTON IS AWARE, THE GKR FOREIGN EXCHANGE SITUATION (INCLUDING THE ESF) WILL NOT PERMIT AN ADVANCE PAYMENT FOR RICE OF THE MAGNITUDE INVOLVED IN THE THAI PURCHASE. ALTHOUGH THERE ARE, UNDOUBTEDLY, A NUMBER OF WAYS AN ADVANCE PAYMENT COULD BE CHANNELLED TO THE GKR BY THE U. S., TWO POSSIBILITIES THAT COME TO MIND ARE (A) PERMITTING A DOWN-PAYMENT OF 100 PERCENT FROM 606 FUNDS OR (B) CONVERTING TEMPORARILY A PORTION OF EXISTING 606 FUNDS TO A CASH GRANT. IN EITHER CASE, THE THAI PURCHASE COULD BE SUBSEQUENTLY APPROVED BY THE SUBMISSION OF APPROPRIATE DOCUMENTATION BY THE GKR IN ACCORDANCE WITH EXISTING PROCEDURES.

5. WE WOULD APPRECIATE A FAVORABLE RESPONSE TO THIS MESSAGE AND BANGKOK 4706 BY OOB MONDAY IN ORDER THAT NEGOTIATIONS CAN BEGIN WITH THE THAIS ASAP.
SWANK

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